

## Message Text

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ACTION EA-14

INFO OCT-01 IO-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 CEA-02

AGR-20 DRC-01 /198 W

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R 150959Z JUL 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5216

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, RP, US

SUBJECT: PHILIPPINE ECONOMIC NEGOTIATIONS

1. TECHNICAL PANELS HELD FINAL SESSIONS JULY 15 FROM 3:00 P.M. TO 4:30 P.M. AGENDA INCLUDED A SUMMING UP OF THE TALKS BY THE RESPECTIVE CHAIRMEN, PRELIMINARY DISCUSSION OF A JOINT PRESS RELEASE AND THE PROGRAM OF WORK FOR BOTH SIDES IN COMING MONTHS. MEETING THEN ADJOURNED WITH BOTH CHAIRMEN REMAINING BEHIND TO IRON OUT DIFFERENCES CONCERNING JOINT PRESS RELEASE.

2. US CHAIRMAN ARNOLD SUMMED UP TALKS AS FOLLOWS: THE BASIS FOR THESE DISCUSSIONS HAD BEEN THE US DRAFT TREATY FOR ECONOMIC COOPERATION AND DEVELOPMENT AND ANNEXED TRADE AGREEMENT AS WELL AS THE EARLIER GOP DRAFT. THE US DRAFT HAD SOUGHT TO TREAT BOTH INVESTMENT AND TRADE MATTERS IN A MANNER WHICH WE BELIEVED WOULD PROVE MUTUALLY BENEFICIAL TO OUR TWO COUNTRIES. FINDING THAT WE WERE UNABLE TO REACH AGREEMENT ON HANDLING TRADE

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MATTERS, OUR DISCUSSIONS HAD FOCUSSED ON THE US DRAFT

TREATY ITSELF. THE TALKS HAD PROVIDED THE FIRST OPPORTUNITY IN OVER SEVEN YEARS FOR A BROAD SPECTRUM OF OFFICIALS IN BOTH OUR GOVERNMENTS TO DISCUSS THESE ISSUES. DURING THE TALKS WE HAD BEEN ABLE TO NARROW TO FOUR OR FIVE OUR MAJOR AREAS OF DISAGREEMENT CONCERNING THE TREATY DRAFT. THE US SIDE HAD ALSO NOTED SEVERAL INNOVATIVE GOP PROPOSALS, SOME OF WHICH PERHAPS MAY BE INCLUDED IN AN EXPANDED ECONOMIC TREATY OR SOME OTHER FORM. THE US SIDE WAS NOT UNHAPPY WITH THE RESULTS ACHIEVED IN THESE INITIAL TALKS ALTHOUGH MUCH WORK REMAINED TO BE DONE IN THE NEXT FEW MONTHS IF WE ARE TO HAVE PRESENTABLE REVISED DRAFTS FOR THE NEXT ROUND OF

DISCUSSIONS, WHICH WILL HOPEFULLY BE IN SEPTEMBER OR OCTOBER.

3. RP CHAIRMAN VEGA SUMMED UP AS FOLLOWS: GOP ALSO WISHED TO HAVE US-RP ECONOMIC RELATIONS GOVERNED BY A DOCUMENT SETTING FORTH A FRAMEWORK FOR THOSE NEGOTIATIONS. THE GOP WANTED A MUTUALLY BENEFICIAL AGREEMENT BUT AS WE WERE CHARTERING NEW GROUND IT WAS NOT AN EASY TASK. GOP VIEWED PRESENT TALKS IN TERMS OF A BALANCE SHEET: US SIDE HAD SOUGHT FIVE OBJECTIVES:

A. MODIFICATION OF RP POLICY REGARDING TREATMENT OF FOREIGN INVESTORS SO THAT US INVESTORS IN CERTAIN SECTORS WOULD ENJOY NATIONAL TREATMENT.

B. MODIFICATION OF RP LAW ON RETAIL TRADE.

C. EXEMPTION OF EXISTING US INVESTORS FROM ANY NEW RP LIMITATIONS ON FOREIGN INVESTMENT.

D. JUST COMPENSATION IN REALIZABLE FORM FOR US PROPERTY TAKEN FOR A PUBLIC PURPOSE.

E. DUTY REDUCTIONS AND/OR ELIMINATIONS ON A NUMBER OF PRODUCTS.

AT THE SAME TIME USG WOULD GIVE AN ADVANCE COMMITMENT THAT LIMITED OFFICIAL USE

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RP WOULD PARTICIPATE IN ANY PROGRAM OF GSP AND WOULD CONSIDER MFN TARIFF CUTS ON 12 PRODUCTS IN ADVANCE OF THE MTN. GOP BELIEVES THAT COMMITMENT ON RP PARTICIPATION IN GSP FALLS FAR SHORT OF ITS EXPECTATIONS IN THAT US GSP SCHEME WOULD PROBABLY COVER ONLY ABOUT \$40 MILLION OF CURRENT RP EXPORTS TO US TOTALLING \$670 MILLION. REGARDING MFN CUTS, GOP WAS NOT INTERESTED TO EXPLORING THEM PRIOR TO MTN. GOP THEREFORE FELT THERE WAS LITTLE ON RP SIDE TO BALANCE US DESIDERATA.

CONSEQUENTLY, RP FELT IT WAS MORE APPROPRIATE TO WAIT FOR DEVELOPMENTS (I.E. PASSAGE OF THE TRA) BEFORE RESUMING MEANINGFUL NEGOTIATIONS.

4. VEGA ADDED WORD ON GOP COUNTERPROPOSAL FOR ADVANCE IMPLEMENTATION OF GSP IN FAVOR OF THE RP. ESSENTIALLY RP DESIRED:

A. INCLUSION, WITHOUT COMPETITIVE NEED CEILINGS, IN ANY GSP SCHEME OF 29 MAJOR RP EXPORTS TO THE US.

B. A MECHANISM FOR SYMPATHETIC CONSIDERATION OF ANY OTHER RP EXPORT WHICH MIGHT REACH COMPETITIVE NEED CEILINGS.

C. INCLUSION OF SOME ADDITIONAL MINOR RP EXPORTS IN GSP. GOP FELT THAT BEST WAY TO HANDLE RP DESIRES FOR GSP WITHOUT CONTINUING SPECIAL PREFERENCES WOULD BE TO ELIMINATE COMPETITIVE NEED CEILINGS FOR ALL LDCS.

5. FINALLY, SINCE IN RP VIEW THERE HAD BEEN A LACK OF PROGRESS IN RECENT US-RP NEGOTIATIONS ON SEVERAL SUBJECTS GOP URGED THAT SERIOUS CONSIDERATION BE GIVEN TO CONCERTED NEGOTIATIONS ON ALL TOPICS IN PLACE OF CURRENT PIECEMEAL APPROACH.

6. IN REPLY, ARNOLD POINTED OUT TECHNICAL DIFFICULTIES IN CONCERTED APPROACH TO NEGOTIATIONS ON COMPLEX SUBJECTS.

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5217

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ARNOLD ALSO SAID THAT US DID NOT SEEK SIGNIFICANT MODIFICATION OF RP POLICIES BUT ONLY TO ESTABLISH A FRAMEWORK OF REASONABLE AND FAIR TREATMENT IN OUR ECONOMIC RELATIONS. HE ADDED THAT WITH REGARD TO INCLUSION IN THE TREATY OF LANGUAGE ON EXPROPRIATION USG CERTAINLY DID NOT MEAN TO IMPLY THAT RP WOULD NOT OTHERWISE LIVE UP TO ITS INTERNATIONAL OBLIGATIONS IN THIS AREA.

7. BOTH PANELS AGREED THAT FUTURE WORK PROGRAM SHOULD BE CARRIED OUT THROUGH DIPLOMATIC CHANNELS AND LOOK TOWARD NEGOTIATIONS LATER THIS YEAR IN WASHINGTON INVOLVING PHILIPPINE SECRETARY OF FINANCE CESAR VIRATA AND ALDRICH. PHILIPPINE CHAIRMAN EXPRESSED RELUCTANCE TMTSET FORWARD NEW POSITIONS IN ADVANCE OF SOME CLARIFICATION OF U.S. INTENTIONS ON TRADE SIDE. U.S. CHAIRMAN NOTED THAT CONSIDERABLE WORK NECESSARY AT TECHNICAL LEVEL TO PREPARE FOR LATER TALKS. WITH RESERVATIONS NOTED PHILIPPINE CHAIRMAN APPROVED WORK PROGRAM.

8. TWO CHAIRMEN WORKED OUT TEXT OF DRAFT PRESS FOR RELEASE JULY 16. FINAL VERSION WILL BE FORWARDED WHEN CLEARED BY BOTH SIDES.  
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## Message Attributes

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**Disposition Approved on Date:**  
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**Type:** TE  
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